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HALF-YEAR FINANCIAL REPORT

January 1 to June 30, 2016

LANXESS
Energizing Chemistry

LANXESS Group Key Data

€ million	Q2 2015	Q2 2016	Change %	H1 2015	H1 2016	Change %
Sales	2,105	1,943	(7.7)	4,143	3,863	(6.8)
Gross profit	485	477	(1.6)	928	938	1.1
Gross profit margin	23.0%	24.5%		22.4%	24.3%	–
EBITDA pre exceptionals [1]	270	293	8.5	499	555	11.2
EBITDA margin pre exceptionals [1]	12.8%	15.1%		12.0%	14.4%	
EBITDA [1]	296	291	(1.7)	474	542	14.3
Operating result (EBIT) pre exceptionals [1]	153	178	16.3	276	320	15.9
Operating result (EBIT) [1]	177	176	(0.6)	240	307	27.9
EBIT margin [1]	8.4%	9.1%		5.8%	7.9%	
Net income	87	75	(13.8)	109	128	17.4
Earnings per share (€)	0.95	0.82	(13.8)	1.19	1.40	17.4
Earnings per share pre exceptionals (€) [2]	0.73	0.83	13.7	1.39	1.50	7.9
Cash flow from operating activities	119	180	51.3	152	228	50.0
Depreciation and amortization	119	115	(3.4)	234	235	0.4
Cash outflows for capital expenditures	73	73	0.0	129	122	(5.4)
Total assets				7,219 [6]	8,300	15.0
Equity (including non-controlling interests)				2,323 [6]	3,435	47.9
Equity ratio [3]				32.2% [6]	41.4%	
Net financial liabilities [4]				1,211 [6]	908	(25.0)
Net financial liabilities after deduction of term money and securities available for sale [5]				1,211 [6]	198 [5]	(83.6)
Employees (as of June 30)				16,225 [6]	16,545	2.0

1) EBIT: earnings before interest and income taxes
EBIT pre exceptionals: EBIT disregarding exceptional items
EBIT margin: ratio of EBIT to sales
EBITDA: EBIT plus depreciation and impairments of property, plant and equipment as well as amortization and impairments of intangible assets, less reversals of impairment charges on property, plant, equipment and intangible assets
EBITDA pre exceptionals: EBITDA disregarding exceptional items
EBITDA margin pre exceptionals: the ratio of EBITDA pre exceptionals to sales; please see "Notes on EBIT and EBITDA (pre exceptionals)" for details.
2) Earnings per share pre exceptionals: earnings per share disregarding exceptional items and the associated tax effects; please see "Net income/Earnings per share/Earnings per share pre exceptionals" for details.
3) Equity ratio: equity as a percentage of total assets
4) Net financial liabilities: sum of current and non-current financial liabilities (adjusted for liabilities for accrued interest) less cash, cash equivalents and near-cash assets; please see "Financing and liquidity" for details.
5) Please see "Financing and liquidity" for details of the deducted financial assets.
6) Previous year as of December 31, 2015

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Key Issues

Pension assets increased

LANXESS has added €200 million to its German pension assets, thereby increasing the funding status of Group pension obligations to 48% from 43% in the first quarter of 2016. The funds for this came from the sale of a 50% interest in ARLANXEO to Saudi Aramco. With this payment, LANXESS has made a clear commitment to the second pillar of retirement provision in Germany and further secured company pension benefits for its employees.

LANXESS polyamide 6 for the motor oil pan of a six-cylinder boxer engine

LANXESS has expanded its range of highly reinforced polyamides and polyesters for the design of extremely strong structural components. The latest design of this type is the oil pan module made from Durethan for the new six-cylinder boxer engine of the Porsche 911 Carrera. The new plastic component satisfies all the requirements for functional integration, lightweight construction and cost-effective production that the new generation of engines has to meet. Overall, the plastic oil pan is more than two kilograms lighter than its aluminum predecessor.

Higher dividend after successful fiscal 2015

At this year's Annual Stockholders' Meeting, LANXESS looked back on a successful fiscal 2015 which saw the company drive forward with its realignment program. Of the company's voting capital of €91,522,936.00, which is divided into 91,522,936 shares, 50,275,967 shares were represented by the same number of votes at the meeting. This is equivalent to 54.93% of the voting capital.

In majority votes, the stockholders approved all agenda items. The Board of Management and the Supervisory Board proposed to the Annual Stockholders' Meeting that the dividend for 2015 be increased by 20% compared with the prior year to €0.60. In the future, Lanxess will be seeking to increase the dividend or at least maintain it at a stable level.

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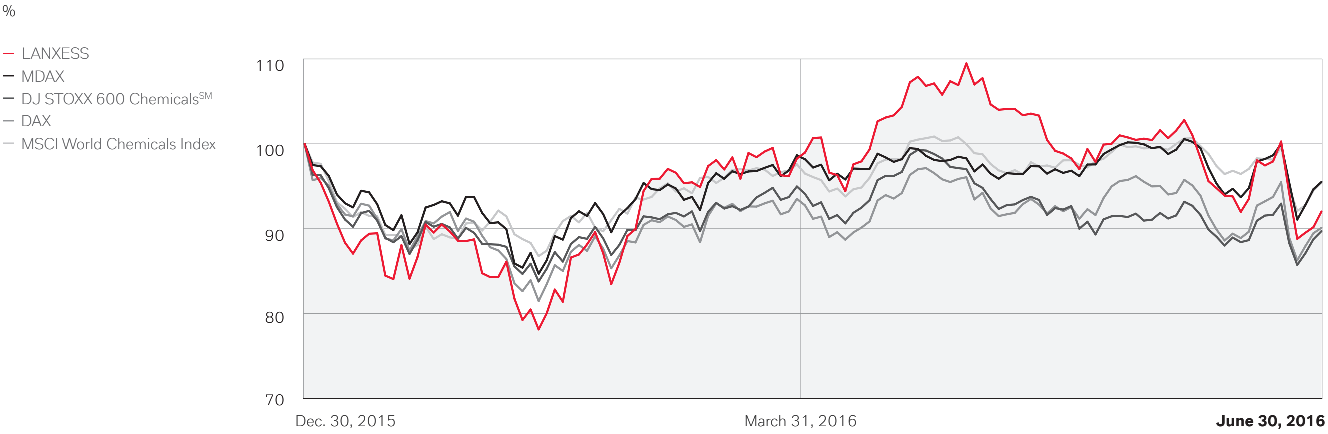
Around 1,300 stockholders attended the 2016 Annual Stockholders' Meeting at the LANXESS arena.

LANXESS Stock

With the first half of 2016 marked by a high level of volatility, the value of our stock declined slightly at the start of the year before largely making good these losses at the beginning of the second quarter. However, our stock was not entirely immune to the negative impact on the stock markets of disappointing economic data or the uncertainty caused by Brexit at the end of the first half. It outperformed the DAX and the LANXESS benchmark indices, with only the MDAX posting a better performance.

Further company news from the second quarter of 2016 is provided on page 1 of this report.

Stock Performance vs. Indices



LANXESS Stock

		Q4 2015	Q1 2016	**Q2 2016**
Capital stock/no. of shares [1]	€/no. of shares	91,522,936	91,522,936	**91,522,936**
Market capitalization [1]	€ billion	3.91	3.87	**3.59**
High/low for the period	€	51.92/40.80	43.27/32.90	**46.79/37.72**
Closing price [1]	€	42.68	42.24	**39.28**
Trading volume [2]	million shares	29.748	31.534	**21.965**
Earnings per share	€	0.16	0.58	**0.82**
Earnings per share pre exceptionals	€	(0.16)	0.67	**0.83**

1) End of quarter: Q4: December 31, 2015, Q1: March 31, 2016, Q2: June 30, 2016
2) Source: Deutsche Börse (Xetra/Frankfurt floor)

Interim Group Management Report
as of June 30, 2016

- ARLANXEO strategic alliance established for synthetic rubber business on April 1, 2016
- LANXESS agrees acquisition of Chemours Clean and Disinfect specialties business
- Persistently challenging competitive situation for synthetic rubber
- Sales decline by 7.7% against the prior-year quarter, primarily due to the adjustment of selling prices reflecting lower raw material costs
- Volumes slightly above the prior-year quarter at Group level
- Higher capacity utilization compared with the prior-year quarter
- Cost-reducing effects from early implementation of measures to improve operational competitiveness
- EBITDA pre exceptionals increased by 8.5% to €293 million in the second quarter
- EBITDA margin pre exceptionals at 15.1% after 12.8% in the prior-year quarter
- Second-quarter earnings per share pre exceptionals increased from €0.73 to €0.83
- Guidance for 2016 raised: EBITDA pre exceptionals between €930 million and €970 million

Group structure

Legal structure

LANXESS AG is the parent company of the LANXESS Group and functions largely as a management holding company. LANXESS Deutschland GmbH is a wholly owned subsidiary of LANXESS AG and in turn holds interests in the other subsidiaries and affiliates both in Germany and elsewhere.

A list of the principal direct and indirect subsidiaries of LANXESS AG and a description of the Group's management and control organization are provided on page 112 of the Annual Report 2015 and in the "Changes in the scope of consolidation" section of the Notes to the Condensed Consolidated Interim Financial Statements as of June 30, 2016.

Strategy and changes to the Group portfolio

In connection with its "Let's LANXESS again" realignment program, LANXESS and Aramco Overseas Holdings Coöperatief U.A., The Hague, Netherlands, a subsidiary of Saudi Aramco, have formed a strategic alliance for the synthetic rubber business named ARLANXEO in which each party holds a 50% interest. On the basis of a preliminary purchase price calculation for its interest after deduction of debt and other financial liabilities, Saudi Aramco paid a cash contribution of €1.2 billion. Closing of the transaction took place on April 1, 2016. The business continues to be included in the consolidated financial statements of the LANXESS Group and will be fully consolidated in the first three years because LANXESS has the opportunity to determine key aspects of financial and business policy.

In this connection, new legal entities have been established and existing legal entities renamed. They have been assigned to the ARLANXEO segment. Details about the scope of consolidation are provided in the Notes to the Condensed Consolidated Interim Financial Statements as of June 30, 2016.

In addition, Group structures have been reorganized. The synthetic rubber business, formerly bundled in the Tire & Specialty Rubbers and High Performance Elastomers business units in the Performance Polymers segment, is now reported as the ARLANXEO segment, while the High Performance Materials business unit, formerly also assigned to the Performance Polymers segment, is now a separate segment. In the future, therefore, LANXESS will report as four segments: Advanced Intermediates, Performance Chemicals, High Performance Materials and ARLANXEO. The prior-year figures are restated accordingly.

In April 2016, LANXESS concluded an agreement to acquire the Clean and Disinfect specialties business of U.S.-based chemical company Chemours. The business has some 170 employees worldwide and three production sites in Memphis and North Kingstown in the United States and Sudbury in the United Kingdom. In 2015, it achieved sales of around €100 million, roughly half of which in North America. The annual EBITDA contribution is around €20 million and will gradually increase to about €30 million by 2020 as the result of synergy effects. LANXESS will pay the enterprise value of around €210 million from existing liquidity. The transaction, which has not yet been approved by all the relevant antitrust authorities, is scheduled for closing in the second half of 2016. It represents LANXESS's first acquisition following its successful realignment.

Economic environment and business development

Business conditions

General economic situation

In the second quarter, the global economy grew by 2.7% overall compared with the prior-year quarter. The EMEA and North America regions benefited from positive developments to post growth rates of 1.7% and 2.0%, respectively. The markets in Latin America remain under pressure as a result of the recession. By contrast, the Asia-Pacific region recorded pleasing growth of 4.7%.

Chemical industry

Global chemical industry production expanded by 2.5% in the second quarter. Performance varied across the different customer markets. The EMEA and Asia-Pacific regions developed positively, whereas growth in North America and Latin America was weaker.

Evolution of major user industries

Global **tire production** expanded by 3.1% in the second quarter. The main driver of development worldwide was the Asia-Pacific region, where robust growth was fueled by exports among other things. EMEA and NAFTA performed positively, while production in the Americas contracted overall, mainly owing to a sharp drop in capacity utilization in Latin America.

Automotive production grew by 2.4% overall in the second quarter. Despite a sluggish environment in Eastern Europe, output in EMEA rose significantly. Growth in the Americas, on the other hand, was negatively impacted by ongoing weak development in Latin America. Production in the Asia-Pacific region continued to increase, driven principally by China.

The global **construction industry** sustained solid growth, expanding by 2.9%. On account of the difficult economic environment in Eastern Europe and Latin America, the EMEA and Americas regions recorded weak growth. The Asia-Pacific region maintained its positive trend.

The production of **agrochemicals** increased by 2.8% overall in the second quarter. While output in EMEA contracted significantly, it expanded in the Americas, both in NAFTA and in Latin America. The Asia-Pacific region posted robust growth in the second quarter following a weak start to the year.

Sales

Sales of the LANXESS Group in the second quarter of 2016 amounted to €1,943 million, down €162 million or 7.7% against the same period a year ago. Lower selling prices, which resulted particularly from lower procurement prices for raw materials, diminished sales by 7.3%. Unfavorable shifts in exchange rates amounted to 1.2%. Volumes were 0.8% higher than in the prior-year period.

Sales in the first six months of 2016 receded by €280 million, or 6.8%, to €3,863 million. After adjustment for currency effects, the LANXESS Group recorded a 6.4% decline in operational sales in the first half of 2016. For the half-year, too, this development was attributable to lower selling prices, due particularly to lower raw material costs. Volumes had a positive impact on sales of 1.3%.

Effects on Sales

%	Q2 2016	H1 2016
Price	(7.3)	(7.7)
Volume	0.8	1.3
Currency	(1.2)	(0.4)
Portfolio	0.0	0.0
	(7.7)	**(6.8)**

Our Advanced Intermediates segment posted a decline in sales of 5.3% in the second quarter and 4.2% in the first half compared with the respective prior-year periods. Sales were diminished by lower selling prices caused by passing on lower procurement prices for raw materials. Higher volumes, which were up on the prior-year level in the second quarter and the first half, had an opposing effect. Shifts in exchange rates had a slightly negative impact.

In our Performance Chemicals segment we registered sales declines of 1.8% and 0.9% in the second quarter and first half, respectively, compared with the prior-year periods. A decrease in selling prices was largely compensated by higher volumes. Shifts in exchange rates had a negative impact on sales.

Sales by Segment

€ million	Q2 2015	Q2 2016	Change %	Proportion of Group sales %	H1 2015	H1 2016	Change %	Proportion of Group sales %
Advanced Intermediates	468	443	(5.3)	22.8	946	906	(4.2)	23.4
Performance Chemicals	553	543	(1.8)	27.9	1,086	1,076	(0.9)	27.9
High Performance Materials	292	275	(5.8)	14.2	584	548	(6.2)	14.2
ARLANXEO	780	670	(14.1)	34.5	1,503	1,310	(12.8)	33.9
Reconciliation	12	12	0.0	0.6	24	23	(4.2)	0.6
	2,105	**1,943**	**(7.7)**	**100.0**	**4,143**	**3,863**	**(6.8)**	**100.0**

Sales in our High Performance Materials segment fell by 5.8% and 6.2% in the second quarter and first half, respectively, compared with the prior-year periods. They were reduced especially by passing lower procurement prices for raw materials on to customers. Volumes were up on the prior-year levels of both the second quarter and the first half. Shifts in exchange rates had an unfavorable effect.

ARLANXEO posted a fall in sales of 14.1% in the second quarter and 12.8% in the first half of 2016. Lower selling prices resulted from lower procurement prices for raw materials and the challenging competitive situation in the synthetic rubber business. Due to factors including plant turnarounds, volumes were down on the respective prior-year periods in both the second quarter and the first half. Shifts in exchange rates compounded the negative effect on sales.

Because of the low level of raw material costs, which was reflected in lower selling prices, LANXESS recorded a drop in sales in all regions in both the second quarter and the first half.

Order book status

Most of our business is not subject to long-term agreements on fixed purchase volumes or prices. Instead, our business is characterized by long-standing relationships with customers and revolving master agreements. Our activities are focused on demand-driven orders with relatively short lead times which do not provide a basis for forward-looking statements about our capacity utilization or volumes. Our business is managed primarily on the basis of regular Group-wide forecasts with respect to the Group's operating target.

Any disclosure of the Group's order book status at a given reporting date therefore would not be indicative of the Group's short or medium-term earning power. For this reason, no such disclosure is made in this report.

Gross profit

Compared with sales, the cost of sales showed a disproportionately large year-on-year decline of 9.5% to €1,466 million. Cost relief was mainly attributable to lower procurement prices for raw materials, higher capacity utilization, a favorable shift in exchange rates – especially for the Argentinian, Brazilian and South African currencies – and lower energy costs.

Gross profit, at €477 million, was almost level with the prior-year quarter. The gross profit margin increased from 23.0% to 24.5%. Selling prices were adjusted to reflect reduced raw material and energy costs. Earnings were positively influenced by an improved product mix. Positive currency effects on our production costs, especially in Argentina, Brazil and South Africa, exceeded the negative exchange rate effects on our sales caused above all by the development of the U.S. dollar.

In the first half, too, the cost of sales fell disproportionately compared with sales, decreasing by 9.0% to €2,925 million. Gross profit rose year on year by €10 million, or 1.1%, to €938 million. This increase was attributable to lower procurement prices for raw materials, higher volumes, reduced energy costs and the shift in exchange rates. The sum of these effects more than compensated the impact of adjusting selling prices. The gross profit margin improved accordingly, from 22.4% to 24.3%.

EBITDA Pre Exceptionals by Segment

€ million	Q2 2015	Q2 2016	Change %	H1 2015	H1 2016	Change %
Advanced Intermediates	80	88	10.0	172	177	2.9
Performance Chemicals	110	114	3.6	197	212	7.6
High Performance Materials	33	45	36.4	58	83	43.1
ARLANXEO	116	95	(18.1)	213	208	(2.3)
Reconciliation	(69)	(49)	29.0	(141)	(125)	11.3
	270	**293**	**8.5**	**499**	**555**	**11.2**

EBITDA and operating result (EBIT)

The operating result before depreciation and amortization (EBITDA) pre exceptionals rose in the second quarter of 2016 by €23 million, or 8.5%, to €293 million. A positive overall earnings performance at Group level was chiefly the result of lower production costs, reduced idle capacity costs and increased volumes. Positive currency effects on our production costs, especially in Argentina, Brazil and South Africa, exceeded the negative exchange rate effects on our sales caused above all by the development of the U.S. dollar. An opposing influence came from the adjustment in selling prices, which exceeded the effect of reduced raw material costs due to the persistently challenging competitive situation in the synthetic rubber business. Earnings were positively influenced by our initiatives to improve operational competitiveness as part of our realignment. Despite higher volumes, selling expenses declined by 4.5% to €191 million because of greater competitive pressure in the logistics sector and overcapacities in overseas business. Research and development expenses were €32 million, compared with €34 million in the prior-year period. General administration expenses rose by €5 million to €73 million, due to factors including additional administration expenses for ARLANXEO, and thus exceeded the low prior-year level. The Group's EBITDA margin pre exceptionals increased from 12.8% to 15.1%.

EBITDA pre exceptionals in our Advanced Intermediates segment amounted to €88 million compared with €80 million in the prior-year period. This was due especially to higher volumes. The cost relief from lower raw material prices was reflected in reduced selling prices.

The Performance Chemicals segment generated EBITDA pre exceptionals of €114 million, up €4 million on the prior-year period. The improvement in earnings resulted from a positive volume effect, supported by the positive impact of exchange rate developments on our production costs. The reduction in selling prices was associated with lower procurement prices for raw materials.

EBITDA pre exceptionals in our High Performance Materials segment advanced by €12 million in the second quarter to €45 million. Lower procurement prices for raw materials resulted in adjusted selling prices. In addition, higher volumes in more profitable product groups and high capacity utilization supported the positive earnings performance.

ARLANXEO posted EBITDA pre exceptionals of €95 million, compared with €116 million in the prior-year period. The positive effect of cost relief from lower procurement prices for raw materials was reflected in lower selling prices. However, the impact of persisting competitive pressure compounded the price decline and had a diminishing effect. Earnings were buoyed by lower energy costs, an improved portfolio of products sold and favorable exchange rate effects on our production costs.

Group EBITDA pre exceptionals for the first six months improved year on year by €56 million to €555 million. Earnings were diminished by selling price adjustments, which, due especially to the persistently challenging competitive situation in the synthetic rubber business, more than offset the effect of reduced raw material costs. As in the second quarter, the positive half-year performance also resulted from higher volumes, lower energy costs and exchange rate developments. Selling expenses were level with the prior-year period at €385 million. Research and development costs decreased by €4 million to €62 million. General administration expenses rose from €132 million to €145 million, due to factors including additional administration expenses for ARLANXEO, and thus exceeded the low prior-year level.

The Group operating result (EBIT) in the second quarter of 2016 was level with the prior-year period at €176 million. Depreciation and amortization amounted to €115 million and included the depreciation and amortization on our new rubber plants in Asia, which was first reported in the second quarter of 2015. Total depreciation and amortization was €4 million or 3.4% below the year-earlier quarter, which had been impacted by impairment charges.

Reconciliation of EBITDA Pre Exceptionals to Operating Result (EBIT)

€ million	Q2 2015	Q2 2016	Change %	H1 2015	H1 2016	Change %
EBITDA pre exceptionals	**270**	**293**	**8.5**	**499**	**555**	**11.2**
Depreciation and amortization	(119)	(115)	3.4	(234)	(235)	(0.4)
Exceptional items in EBITDA	26	(2)	<(100)	(25)	(13)	48.0
Operating result (EBIT)	**177**	**176**	**(0.6)**	**240**	**307**	**27.9**

In the second quarter of 2016, the negative exceptional items of €2 million reported in other operating income and expenses, which fully impacted EBITDA, mainly related to expenses associated with the strategic realignment of the LANXESS Group. In the prior-year quarter, positive exceptional items of €26 million had an effect on EBITDA; €24 million of this amount impacted EBIT.

In the first half of 2016, LANXESS posted EBIT of €307 million, compared with €240 million a year earlier. Depreciation and amortization for the period amounted to €235 million and included the depreciation and amortization on our new rubber plants in Asia. In the prior-year period, depreciation and amortization came to €234 million and was impacted by impairment charges.

The negative exceptional items of €13 million reported in other operating income and expenses for the half-year, which fully impacted EBITDA, mainly related to expenses associated with the strategic realignment of the LANXESS Group. In the prior-year period, the negative exceptional items amounted to €36 million, of which €25 million impacted EBITDA.

Financial result

The financial result for the second quarter of 2016 was minus €29 million, compared with minus €33 million for the prior-year period. Net interest expense improved by €2 million to €16 million against the prior-year quarter. As in the year-earlier period, the interest in Currenta GmbH & Co. OHG, Leverkusen, Germany, which is accounted for using the equity method, did not generate an earnings contribution. The balance of other financial income and expense items, which related principally to accrued interest for provisions – especially for pensions and other post-employment benefit obligations – was minus €13 million compared with minus €15 million in the prior-year period.

The financial result for the first half of 2016 was minus €66 million, against minus €62 million a year earlier. Net interest expense was on a level with the prior-year period at €33 million. The balance of other financial income and expense in the reporting period, which related principally to a net exchange loss and accrued interest for provisions, was minus €33 million, after minus €29 million in the prior-year period.

Income before income taxes

Second-quarter income before income taxes came to €147 million, against €144 million for the prior-year period. The effective tax rate was 43.5%, compared with 39.6% for the prior-year quarter.

Income before income taxes for the first half increased from €178 million to €241 million. The effective tax rate was 43.6%, against 39.3% a year earlier.

Net income/Earnings per share/ Earnings per share pre exceptionals

Net income for the second quarter came to €75 million, compared with €87 million in the prior-year period, which was greatly impacted by one-time effects resulting from the sale of business assets no longer required for operations. First-half net income rose from €109 million to €128 million.

Non-controlling interests accounted for earnings of €8 million in the second quarter of 2016, compared with €0 million for the prior-year period. In the first half of 2016, they accounted for earnings of €8 million, against a loss of €1 million a year earlier. Most of the earnings accounted for by non-controlling interests in the second quarter and first half of 2016 resulted from Saudi Aramco's interest in ARLANXEO.

Earnings per share are calculated by dividing net income by the weighted average number of LANXESS shares in circulation during the reporting period. Earnings per share were €0.82 in the second quarter, below the figure of €0.95 for the prior-year period. First-half earnings per share rose from €1.19 to €1.40.

In order to better assess and compare our performance over time, we also calculate earnings per share pre exceptionals, which is not defined by International Financial Reporting Standards.

Earnings per share pre exceptionals came in at €0.83 and €1.50 in the second quarter and first half of 2016, respectively, compared with €0.73 and €1.39 in the corresponding prior-year periods. These values were calculated on the basis of net income, taking account of the exceptional items and associated tax effects attributable to the stockholders of LANXESS AG. In the second quarter of 2016, there were net negative exceptional items of €1 million, compared with positive exceptional items of €24 million in the prior-year period. The net negative exceptional items in the first six months of 2016 amounted to €12 million, against negative exceptional items of €36 million a year ago.

Reconciliation of Earnings Per Share Pre Exceptionals

€ million	Q2 2015	Q2 2016	H1 2015	H1 2016
Net income	**87**	**75**	**109**	**128**
Exceptional items [1]	(24)	2	36	13
Income taxes on exceptional items [1]	(4)	(1)	(18)	(4)
Net income pre exceptionals	**67**	**76**	**127**	**137**
Number of outstanding shares	91,522,936	91,522,936	91,522,936	91,522,936
Earnings per share pre exceptionals (€)	**0.73**	**0.83**	**1.39**	**1.50**

1) Disregarding exceptional items attributable to non-controlling interests

Business development by region

Sales by Market

	Q2 2015		Q2 2016		Change	H1 2015		H1 2016		Change
	€ million	%	€ million	%	%	€ million	%	€ million	%	%
EMEA (excluding Germany)	613	29.1	590	30.3	(3.8)	1,236	29.8	1,193	30.9	(3.5)
Germany	358	17.0	332	17.1	(7.3)	723	17.5	680	17.6	(5.9)
North America	358	17.0	324	16.7	(9.5)	700	16.9	665	17.2	(5.0)
Latin America	221	10.5	206	10.6	(6.8)	434	10.5	386	10.0	(11.1)
Asia-Pacific	555	26.4	491	25.3	(11.5)	1,050	25.3	939	24.3	(10.6)
	2,105	**100.0**	**1,943**	**100.0**	**(7.7)**	**4,143**	**100.0**	**3,863**	**100.0**	**(6.8)**

Sales in the **EMEA** (excluding Germany) region shrank by €23 million, or 3.8%, to €590 million in the second quarter of 2016. Adjusted for currency effects, sales were down 3.5% compared with the prior-year quarter. This development was mainly attributable to the ARLANXEO segment, which saw sales drop by a low-double-digit percentage. The Advanced Intermediates segment registered a reduction in the low-single-digit-percentage range, whereas the High Performance Materials and Performance Chemicals segments posted slightly positive growth rates. While demand receded especially in Italy, France and Hungary, sales trended positively above all in the Netherlands and Slovakia.

First-half sales in the EMEA (excluding Germany) region decreased by 3.5% to €1,193 million. Adjusted for slight exchange rate effects, sales declined by 3.3%. While the ARLANXEO and Advanced Intermediates segments recorded a drop in sales in the low-double-digit- and low-single-digit-percentage ranges respectively, the Performance Chemicals and High Performance Materials segments posted low-single-digit-percentage increases in sales. Demand developed positively especially in Turkey and Portugal. By contrast, sales in Italy, France and Belgium above all were down on the prior-year level.

With a 30.3% share of total sales for the second quarter and a 30.9% share for the first half, EMEA (excluding Germany) remained the largest of the LANXESS Group's regions in terms of sales.

Our sales in **Germany** in the second quarter were down €26 million, or 7.3%, year on year, at €332 million. Sales in the ARLANXEO segment declined by a low-double-digit percentage, while the other segments saw decreases by low- to high-single-digit percentages.

In the first half of 2016, sales in Germany receded by 5.9% to €680 million. Sales in the ARLANXEO segment declined by a low-double-digit percentage, while the percentage reductions in the other segments were in the low- to mid-single-digit range.

Germany's share of Group sales came to 17.1% for the second quarter and 17.6% for the first half, compared with 17.0% and 17.5% in the respective prior-year periods.

Sales in the **North America** region decreased by €34 million to €324 million in the second quarter of 2016. Adjusted for negative currency effects, sales fell by 7.5%. This development was marked by the course of business in the ARLANXEO segment, which posted a decline in sales just within the double-digit-percentage range. Business in the other segments receded by mid-single-digit percentages.

In the first half of 2016, sales in North America declined by €35 million to €665 million, with no significant effects from shifts in exchange rates. This development was mainly attributable to a high-single-digit-percentage decrease in sales in the ARLANXEO segment. Sales in the Advanced Intermediates and Performance Chemicals segments fell by only low-single-digit percentages. The High Performance Materials segment expanded business by a mid-single-digit percentage.

The North America region's share of Group sales was 16.7% in the second quarter and 17.2% in the first half of 2016, compared with 17.0% and 16.9% in the respective prior-year periods.

Sales in the **Latin America** region in the second quarter of 2016 decreased by €15 million year on year, from €221 million to €206 million. Adjusted for negative exchange rate effects, sales fell by 5.4%. The High Performance Materials segment posted a low-double-digit-percentage sales decline. The Performance Chemicals segment recorded a mid-single-digit-percentage decrease in sales, while sales of the ARLANXEO segment were only just below the prior-year level. Sales of the Advanced Intermediates segment increased by a low-single-digit percentage.

First-half sales in the Latin America region decreased by €48 million to €386 million. Adjusted for currency effects, the decline was 10.2%. All segments, but particularly ARLANXEO and High Performance Materials, saw sales fall back.

The Latin America region's share of Group sales was 10.6% in the second quarter and 10.0% in the first half of 2016, compared with 10.5% in both respective prior-year periods.

Second-quarter sales in the **Asia-Pacific** region decreased by €64 million to €491 million. Adjusted for negative currency effects, sales fell by 9.3%. This decline was mainly attributable to the ARLANXEO segment, which saw sales decrease by a low-double-digit percentage. While sales in the Advanced Intermediates and High Performance Materials segments receded by high- and mid-single-digit percentages, respectively, the Performance Chemicals segment expanded business by a low-single-digit percentage. This operational development was mainly driven by China, Singapore and South Korea. Growing sales were recorded primarily in India.

In the first half of 2016, sales in this region decreased by €111 million to €939 million. Adjusted for currency effects, sales fell by 9.7%. Sales in the ARLANXEO segment dropped by a low-double-digit percentage, followed by the High Performance Materials and Advanced Intermediates segments with high- and mid-single-digit-percentage declines, respectively. By contrast, the Performance Chemicals segment was able to expand its business by a low-single-digit percentage compared to the prior-year period. The operational development was largely driven by Singapore, China and South Korea, with positive impetus similar to that reported for the second quarter.

The Asia-Pacific region's share of Group sales came to 25.3% for the second quarter and 24.3% for the first half, compared with 26.4% and 25.3% for the respective prior-year periods.

Segment information

As part of the strategic realignment of LANXESS, Group structures were reorganized. The synthetic rubber business, formerly bundled in the Tire & Specialty Rubbers and High Performance Elastomers business units in the Performance Polymers segment, is now reported as the ARLANXEO segment, while the High Performance Materials business unit, formerly also assigned to the Performance Polymers segment, is now a separate segment. In the future, therefore, LANXESS will report as four segments: Advanced Intermediates, Performance Chemicals, High Performance Materials and ARLANXEO. The prior-year figures are restated accordingly.

Advanced Intermediates

	Q2 2015		Q2 2016		Change	H1 2015		H1 2016		Change
	€ million	Margin %	€ million	Margin %	%	€ million	Margin %	€ million	Margin %	%
Sales	468		443		(5.3)	946		906		(4.2)
EBITDA pre exceptionals	80	17.1	88	19.9	10.0	172	18.2	177	19.5	2.9
EBITDA	78	16.7	88	19.9	12.8	171	18.1	177	19.5	3.5
Operating result (EBIT) pre exceptionals	53	11.3	63	14.2	18.9	122	12.9	127	14.0	4.1
Operating result (EBIT)	51	10.9	63	14.2	23.5	121	12.8	127	14.0	5.0
Cash outflows for capital expenditures	18		22		22.2	28		31		10.7
Depreciation and amortization	27		25		(7.4)	50		50		0.0
Employees as of June 30 (previous year as of Dec. 31) [1]	3,259		3,345		2.6	3,259		3,345		2.6

1) 2015 figure restated

Our **Advanced Intermediates** segment posted sales of €443 million in the second quarter of 2016, 5.3% or €25 million lower than in the prior-year quarter. While selling price adjustments, due to cost relief from lower procurement prices for raw materials being passed on to the market, resulted in a negative price effect of 6.4%, volumes were up 1.7% against the prior-year quarter. Sales were diminished by currency effects of 0.6%.

While selling prices in the Advanced Industrial Intermediates business unit were lower than in the prior-year quarter on account of raw material prices, the Saltigo business unit was able to achieve slightly higher selling prices. With demand remaining good in almost all end markets, the Advanced Industrial Intermediates business unit increased volumes. By contrast, the Saltigo business unit saw volumes decline. Shifts in exchange rates had a negative effect for both of the segment's business units. The segment marginally increased sales in the Latin America region but registered declines in the other regions.

EBITDA pre exceptionals for the Advanced Intermediates segment was €88 million, €8 million or 10.0% above the prior-year level. Reduced energy costs, higher volumes and improved capacity utilization had a positive impact on earnings. The cost relief resulting from lower raw material prices was offset by the effect of reduced selling prices. The EBITDA margin pre exceptionals of 19.9% was above the high level of 17.1% posted in the prior-year quarter.

The Advanced Intermediates segment generated half-year sales of €906 million, a year-on-year decrease of 4.2%. Selling price adjustments in the form of passing on lower procurement prices for raw materials resulted in a negative price effect of 7.3%, which was compounded by negative exchange rate effects of 0.2% and could not be offset by a positive volume effect of 3.3%.

The segment achieved EBITDA pre exceptionals of €177 million in the first half of 2016, compared with €172 million in the prior-year period. The EBITDA margin pre exceptionals came in at 19.5%, against 18.2% a year ago.

The segment registered no exceptional items in either the second quarter or the first half. In the prior year, negative exceptional items amounted to €2 million and €1 million in the second quarter and first half, respectively. Please see "Notes on EBIT and EBITDA (pre exceptionals)" for details.

Performance Chemicals

	Q2 2015		Q2 2016		Change	H1 2015		H1 2016		Change
	€ million	Margin %	€ million	Margin %	%	€ million	Margin %	€ million	Margin %	%
Sales	553		543		(1.8)	1,086		1,076		(0.9)
EBITDA pre exceptionals	110	19.9	114	21.0	3.6	197	18.1	212	19.7	7.6
EBITDA	104	18.8	114	21.0	9.6	189	17.4	212	19.7	12.2
Operating result (EBIT) pre exceptionals	89	16.1	91	16.8	2.2	155	14.3	167	15.5	7.7
Operating result (EBIT)	83	15.0	91	16.8	9.6	147	13.5	167	15.5	13.6
Cash outflows for capital expenditures	24		22		(8.3)	41		38		(7.3)
Depreciation and amortization	21		23		9.5	42		45		7.1
Employees as of June 30 (previous year as of Dec. 31) [1]	5,138		5,385		4.8	5,138		5,385		4.8

1) 2015 figure restated

Sales in our **Performance Chemicals** segment slipped by 1.8% in the second quarter of 2016, to €543 million. While lower selling prices reduced sales by 3.1%, volumes rose 2.5% against the prior-year quarter. Shifts in exchange rates had a negative effect of 1.2%.

All of the segment's business units were affected by lower selling prices. Almost all business units grew volumes. Shifts in exchange rates diminished sales in all of the segment's business units. While business developed positively in the EMEA (excluding Germany) and Asia-Pacific regions, it contracted in the other regions.

EBITDA pre exceptionals in the Performance Chemicals segment advanced by €4 million, or 3.6%, to €114 million, compared with the prior-year level of €110 million. Earnings were improved by reduced raw material costs, higher volumes and favorable currency effects on our production costs. Earnings were additionally buoyed by lower selling expenses. Lower selling prices resulting from a decline in raw material procurement prices had an opposing effect. The EBITDA margin pre exceptionals increased from 19.9% to 21.0%.

First-half sales in the Performance Chemicals segment declined by a slight 0.9% to €1,076 million. Selling price adjustments, due mainly to cost relief from lower procurement prices for raw materials being passed on to the market, resulted in a negative price effect of 2.3%, which was more or less offset by a positive volume effect of 1.9%. Shifts in exchange rates had a negative effect of 0.5%.

The segment generated EBITDA pre exceptionals of €212 million in the first six months of 2016, against €197 million in the prior-year period. The EBITDA margin pre exceptionals increased from 18.1% to 19.7%.

The segment registered no exceptional items in either the second quarter or the first half. In the prior year, negative exceptional items of €6 million and €8 million were recorded in the second quarter and the first half, respectively. Please see "Notes on EBIT and EBITDA (pre exceptionals)" for details.

High Performance Materials

	Q2 2015		Q2 2016		Change	H1 2015		H1 2016		Change
	€ million	Margin %	€ million	Margin %	%	€ million	Margin %	€ million	Margin %	%
Sales	292		275		(5.8)	584		548		(6.2)
EBITDA pre exceptionals	33	11.3	45	16.4	36.4	58	9.9	83	15.1	43.1
EBITDA	54	18.5	45	16.4	(16.7)	78	13.4	83	15.1	6.4
Operating result (EBIT) pre exceptionals	21	7.2	34	12.4	61.9	36	6.2	61	11.1	69.4
Operating result (EBIT)	41	14.0	34	12.4	(17.1)	55	9.4	61	11.1	10.9
Cash outflows for capital expenditures	7		4		(42.9)	11		9		(18.2)
Depreciation and amortization	13		11		(15.4)	23		22		(4.3)
Employees as of June 30 (previous year as of Dec. 31)	1,546		1,578		2.1	1,546		1,578		2.1

2015 figures restated in line with the new segment structure

Sales in our **High Performance Materials** segment decreased by 5.8% year on year in the second quarter of 2016, to €275 million. A negative price effect of 8.6% was attributable to lower procurement prices for raw materials being passed on to customers. Compared with the prior-year quarter, sales were buoyed by volume growth of 3.8% but diminished by negative currency effects of 1.0%. Sales declined in all regions except the EMEA (excluding Germany) region.

EBITDA pre exceptionals in the High Performance Materials segment rose by a significant €12 million, or 36.4%, to €45 million. Lower procurement prices for raw materials resulted in selling price adjustments. The positive earnings performance was additionally supported by higher volumes in more profitable product groups and high capacity utilization. The EBITDA margin pre exceptionals of 16.4% was well above the figure of 11.3% posted in the prior-year quarter.

First-half sales in the High Performance Materials segment declined by 6.2% to €548 million. Selling price adjustments in response to lower procurement prices for raw materials resulted in a sales decline of 8.1%. Volumes were up 2.4% on the prior-year period. Currency effects of 0.5% had a slightly negative impact.

The segment achieved EBITDA pre exceptionals of €83 million in the first half of 2016, compared with €58 million in the same period a year ago. The EBITDA margin pre exceptionals came in at 15.1%, against 9.9% a year earlier.

The segment recorded no exceptional items in either the second quarter or the first half of 2016, compared with positive exceptional items of €20 million and €19 million in the respective prior-year periods. Please see "Notes on EBIT and EBITDA (pre exceptionals)" for details.

ARLANXEO

	Q2 2015		Q2 2016		Change	H1 2015		H1 2016		Change
	€ million	Margin %	€ million	Margin %	%	€ million	Margin %	€ million	Margin %	%
Sales	780		670		(14.1)	1,503		1,310		(12.8)
EBITDA pre exceptionals	116	14.9	95	14.2	(18.1)	213	14.2	208	15.9	(2.3)
EBITDA	140	17.9	95	14.2	(32.1)	201	13.4	208	15.9	3.5
Operating result (EBIT) pre exceptionals	63	8.1	41	6.1	(34.9)	112	7.5	98	7.5	(12.5)
Operating result (EBIT)	86	11.0	41	6.1	(52.3)	90	6.0	98	7.5	8.9
Cash outflows for capital expenditures	23		24		4.3	43		40		(7.0)
Depreciation and amortization	54		54		0.0	111		110		(0.9)
Employees as of June 30 (previous year as of Dec. 31)	3,491		3,603		3.2	3,491		3,603		3.2

2015 figures restated in line with the new segment structure

Sales in our **ARLANXEO** segment declined by 14.1% year on year in the second quarter of 2016, to €670 million. This development was largely influenced by selling price adjustments in both business units, which resulted in a negative price effect of 10.4% and were due to lower raw material procurement prices and the persistently challenging competitive situation in the synthetic rubber business. The 2.2% decline in volumes and unfavorable currency effects of 1.5% compounded the development in both the segment's business units. Sales in all regions were below prior-year levels.

EBITDA pre exceptionals in the ARLANXEO segment declined from €116 million in the prior-year quarter to €95 million. The reduction of selling prices in response to ongoing competitive pressure outweighed the positive impact of cost relief resulting from lower raw material prices. Earnings were improved especially by lower energy costs and an improved portfolio of products sold. The EBITDA margin pre exceptionals came in at 14.2% for the second quarter, against 14.9% a year ago.

Segment sales in the first half of 2016 fell back by a substantial €193 million to €1,310 million. Selling price adjustments in response to lower raw material costs and the difficult market environment resulted in a sales decline of 11.9%. Sales were also diminished by the 0.7% decline in volumes and currency effects of 0.2%.

The segment generated EBITDA pre exceptionals of €208 million in the first six months of 2016, against €213 million in the prior-year period. The EBITDA margin pre exceptionals came in at 15.9% for the half-year, against 14.2% a year ago.

The segment recorded no exceptional items in either the second quarter or the first half of 2016, compared with positive exceptional items of €23 million and negative exceptional items of €22 million in the respective prior-year periods. Please see "Notes on EBIT and EBITDA (pre exceptionals)" for details.

Reconciliation

€ million	**Q2 2015**	**Q2 2016**	Change %	**H1 2015**	**H1 2016**	Change %
Sales	12	12	0.0	24	23	(4.2)
EBITDA pre exceptionals	(69)	(49)	29.0	(141)	(125)	11.3
EBITDA	(80)	(51)	36.3	(165)	(138)	16.4
Operating result (EBIT) pre exceptionals	(73)	(51)	30.1	(149)	(133)	10.7
Operating result (EBIT)	(84)	(53)	36.9	(173)	(146)	15.6
Cash outflows for capital expenditures	1	1	0.0	6	4	(33.3)
Depreciation and amortization	4	2	(50.0)	8	8	0.0
Employees as of June 30 (previous year as of Dec. 31) [1]	2,791	2,634	(5.6)	2,791	2,634	(5.6)

1) 2015 figure restated

Second-quarter EBITDA pre exceptionals for the **reconciliation** came to minus €49 million, compared with minus €69 million in the prior-year period. EBITDA pre exceptionals for the half-year improved from minus €141 million to minus €125 million. This change was mainly due to lower currency hedging losses. The €2 million in negative exceptional items reported in the reconciliation for the second quarter and the €13 million for the first six months of the year resulted primarily from expenditures in connection with the strategic realignment of the LANXESS Group, and fully impacted EBITDA. In the prior year, negative exceptional items amounted to €11 million in the second quarter and €24 million in the first half. Please see "Notes on EBIT and EBITDA (pre exceptionals)" for details.

Notes on EBIT and EBITDA (pre exceptionals)

In order to better assess our operational business and to steer earning power at Group level and for the individual segments, we additionally calculate the earnings indicators EBITDA, EBITDA and EBIT pre exceptionals, and the EBITDA margin pre exceptionals, none of which are defined by International Financial Reporting Standards. These indicators are viewed as supplementary to the data prepared according to IFRS; they are not a substitute.

Reconciliation of EBIT/EBITDA

€ million	EBIT Q2 2015	EBIT Q2 2016	EBITDA Q2 2015	EBITDA Q2 2016	EBIT H1 2015	EBIT H1 2016	EBITDA H1 2015	EBITDA H1 2016
EBIT/EBITDA pre exceptionals	**153**	**178**	**270**	**293**	**276**	**320**	**499**	**555**
Advanced Intermediates	**(2)**	**0**	**(2)**	**0**	**(1)**	**0**	**(1)**	**0**
Strategic realignment/“Let’s LANXESS again”	(2)	0	(2)	0	(3)	0	(3)	0
Other	0	0	0	0	2	0	2	0
Performance Chemicals	**(6)**	**0**	**(6)**	**0**	**(8)**	**0**	**(8)**	**0**
Strategic realignment/“Let’s LANXESS again”	(1)	0	(1)	0	(3)	0	(3)	0
Other	(5)	0	(5)	0	(5)	0	(5)	0
High Performance Materials	**20**	**0**	**21**	**0**	**19**	**0**	**20**	**0**
Strategic realignment/“Let’s LANXESS again”	0	0	0	0	(1)	0	(1)	0
Sale of assets	20	0	21	0	20	0	21	0
ARLANXEO	**23**	**0**	**24**	**0**	**(22)**	**0**	**(12)**	**0**
Strategic realignment/“Let’s LANXESS again”	2	0	2	0	(43)	0	(34)	0
Sale of assets	21	0	22	0	21	0	22	0
Reconciliation	**(11)**	**(2)**	**(11)**	**(2)**	**(24)**	**(13)**	**(24)**	**(13)**
Strategic realignment/“Let’s LANXESS again”	(9	(1)	(9)	(1)	(20)	(11)	(20)	(11)
Other	(2)	(1)	(2)	(1)	(4)	(2)	(4)	(2)
Total exceptional items	**24**	**(2)**	**26**	**(2)**	**(36)**	**(13)**	**(25)**	**(13)**
EBIT/EBITDA	**177**	**176**	**296**	**291**	**240**	**307**	**474**	**542**

1) The exceptional items mainly comprised expenses associated with the termination of EPDM rubber production at the site in Marl, Germany.

EBITDA is calculated from earnings before interest and income taxes (EBIT) by adding back depreciation and impairments of property, plant and equipment as well as amortization and impairments of intangible assets and subtracting reversals of impairment charges on property, plant, equipment and intangible assets.

EBIT pre exceptionals and **EBITDA pre exceptionals** are EBIT and EBITDA disregarding exceptional items. The latter are effects of an unusual nature or magnitude. They may include write-downs, restructuring expenses, expenses for the design and implementation of IT projects, expenses for portfolio adjustments and reversals of impairment charges. Grants and subsidies from third parties for the acquisition and construction of property, plant and equipment are accounted for as deferred income using the gross method. In this respect, no adjustments other than for gross depreciation and amortization are made when calculating EBITDA pre exceptionals. EBITDA pre exceptionals is the central indicator that we use to steer the business operations of the Group and the individual segments. Every operational decision or achievement is judged in the short and long term by its sustainable impact on EBITDA pre exceptionals. We use EBITDA pre exceptionals as our key controlling parameter because it facilitates assessment of the company’s development over several reporting periods.

The **earnings margins** are calculated from the ratios of the respective earnings indicators to sales. For example, the EBITDA margin (pre exceptionals) is calculated as the ratio of EBITDA (pre exceptionals) to sales and serves as an indicator of relative earning power at Group level and for the individual segments.

Statement of financial position and financial condition

Structure of the statement of financial position

As of June 30, 2016, the LANXESS Group had total assets of €8,300 million, up €1,081 million, or 15.0%, from €7,219 million on December 31, 2015. The growth in total assets resulted especially from the cash inflow from Saudi Aramco's interest in ARLANXEO and the corresponding increase in equity through a higher share attributable to non-controlling interests. The equity ratio at the end of the second quarter was 41.4%, after 32.2% in the prior year.

Non-current assets increased by €25 million to €4,205 million. Property, plant and equipment decreased by €102 million to €3,345 million as a result of depreciation, while deferred taxes were €124 million above the figure of €361 million as of December 31, 2015. Cash outflows for purchases of intangible assets and property, plant and equipment totaled €122 million in the reporting period, compared with €129 million in the prior-year period. Depreciation and amortization in the first six months amounted to €235 million, which was approximately level with the figure of €234 million for the prior-year period. The ratio of non-current assets to total assets was 50.7%, down from 57.9% on December 31, 2015.

Current assets increased by €1,056 million, or 34.7%, against December 31, 2015, to €4,095 million. Inventories decreased by €17 million, or 1,3%, to €1,332 million, while trade receivables rose by €156 million, or 16.3%, to €1,112 million. Cash and cash equivalents increased by €284 million to €650 million. In addition, other current financial assets rose by €709 million to €713 million as of June 30, 2016. The increase resulted mainly from investments in term money and securities available for sale. The ratio of current assets to total assets was 49.3%, against 42.1% as of December 31, 2015.

The LANXESS Group has significant internally generated intangible assets that are not reflected in the statement of financial position in light of accounting rules. These include the brand equity of LANXESS and the value of other brands of the Group.

Our established relationships with customers and suppliers also constitute a significant intangible asset. These long-standing, trust-based partnerships with customers and suppliers, underpinned by consistent service quality, make it possible for us to compete successfully, even in a more challenging business environment. Our competence in technology and innovation, also a valuable asset, is rooted in our specific knowledge in the areas of research and development and custom manufacturing. It enables us to generate significant added value for our customers.

The know-how and experience of our employees are crucial factors for our corporate success. In addition, we have sophisticated production and business processes that create competitive advantages for us in the relevant markets.

Equity amounted to €3,435 million against €2,323 million on December 31, 2015. The change in the reporting period resulted mainly from the increase in equity attributable to non-controlling interests due to Saudi Aramco's cash contribution to ARLANXEO of €1,194 million, net of transaction costs.

Non-current liabilities rose by €196 million to €3,132 million as of June 30, 2016, due mainly to the development of provisions for pensions and other post-employment benefits, which increased by €209 million to €1,424 million. This was the result of reduced discount rates for the valuation of pension liabilities; the €200 million addition to German pension assets had an opposing effect. Non-current derivative liabilities totaled €9 million, after €19 million on December 31, 2015. Other non-current financial liabilities were level with the end of 2015, at €1,258 million. The ratio of non-current liabilities to total assets was 37.7%, down from 40.7% as of December 31, 2015.

Current liabilities came to €1,733 million, down by €227 million, or 11.6%, compared with December 31, 2015. This was mainly due to the repayment of financial debt and the decline of €96 million in trade payables, to €683 million. The ratio of current liabilities to total assets was 20.9% as of June 30, 2016, against 27.1% at the end of 2015.

Financial condition and capital expenditures

Changes in the statement of cash flows

In the first six months of 2016, there was a net cash inflow of €228 million from operating activities, against €152 million in the prior-year period. The increase resulted from factors including a €178 million improvement in income before income taxes, to €241 million, and an only minor year-on-year change in other assets and liabilities. Net working capital increased by a more substantial €225 million, compared with €123 million a year earlier, thus diminishing the net cash inflow.

There was a €925 million net cash outflow from investing activities in the first six months of 2016, against €212 million in the same period a year ago. The cash outflow in the reporting period resulted especially from payments for financial assets associated with investing the purchase price payment received from Saudi Aramco. In addition, there was a cash outflow of €200 million for the addition to German pension fund assets and payments of €122 million for intangible assets and property, plant and equipment, compared with €129 million in the prior-year period.

Net cash provided by financing activities came to €978 million, compared with net cash of €157 million used in financing activities in the first six months of 2015. In particular, a cash inflow for Saudi Aramco's interest in ARLANXEO was recorded in the reporting period. Outflows of €163 million for the repayment of financial liabilities had an opposing effect. The net cash outflow in the prior-year period largely resulted from the repayment of financial liabilities.

Financing and liquidity

The principles and objectives of financial management discussed on page 140 of the Annual Report 2015 remained valid during the first half of 2016. They are centered on a conservative financial policy built on long-term, secured financing.

Cash and cash equivalents increased by €284 million compared with the end of 2015, to €650 million. €100 million of instant-access investments in money market funds were reported under near-cash assets at the end of 2015; €98 million of these were sold in the first half of 2016. The Group's liquidity position remains sound overall.

Net financial liabilities totaled €908 million as of June 30, 2016, compared with €1,211 million as of December 31, 2015.

Net Financial Liabilities

€ million	Dec. 31, 2015	June 30, 2016
Non-current financial liabilities	1,258	1,258
Current financial liabilities	443	323
Less:		
Liabilities for accrued interest	(24)	(21)
Cash and cash equivalents	(366)	(650)
Near-cash assets	(100)	(2)
Net financial liabilities	**1,211**	**908**
Less term money and securities available for sale	–	(710)
Net financial liabilities after deduction of term money and securities available for sale	**1,211**	**198**

Of the purchase price paid in cash by Saudi Aramco for its interest in ARLANXEO, €650 million was invested in term money maturing at the end of 2016 at the latest, and €60 million was invested in securities available for sale. As a result, as of June 30, 2016, net financial liabilities amounted to €198 million after deduction of term money and securities available for sale.

Financing instruments off the statement of financial position

As of June 30, 2016, we had no material financing items that were not reported in the statement of financial position, such as factoring, asset-backed structures or sale-and-lease-back transactions.

Significant capital expenditure projects

The Saltigo business unit in the Advanced Intermediates segment is planning to expand its production network at the site in Leverkusen, Germany. As part of its realignment project, LANXESS is investing about €60 million at its largest agrochemicals site. Synthesis capacities for custom manufacturing are being expanded by the addition of two multipurpose production lines, several reactor modules and a new container storage area. Work on this expansion began in June 2016. Production is due to start at the end of 2017.

Future perspectives, opportunities and risks

Future perspectives

The political and economic risks have not changed substantially compared with our original forecast for 2016 published in the Annual Report 2015.

The United Kingdom's decision to leave the EU has resulted in an increased level of uncertainty in the report on future perspectives.

The expansion of gross domestic product is expected to be somewhat weaker than originally forecast. In particular, the ongoing recession in Latin America has led to lower growth expectations in the Americas, now put at 1.5%.

Global tire industry production will be in line with expectations. We anticipate significantly weaker than forecast growth of 1.0% only in the Americas due to the ongoing recession in Brazil.

We expect automotive production to expand by 2.0% during 2016, slightly lower than assumed in the Annual Report 2015. In the Americas, we expect production to be only at the prior-year level, with weak growth in Brazil persisting and weaker development in NAFTA also resulting in stagnation. Growth in the other regions should remain in line with expectations.

Global growth forecasts for the construction industry of 3.0% are below the original prediction. In the Americas, growth expectations are significantly lower at 2.5% in light of ongoing very weak development in Brazil and weak impetus in North America. Growth in the EMEA and Asia-Pacific regions is likely to be weaker than anticipated at 2.0% and 3.5%, respectively.

Expectations for the chemical industry and agrochemicals remain essentially unchanged.

In our **Advanced Intermediates** segment, we anticipate expansion above the prior-year level for 2016. The segment should benefit from the high level of diversification in its customer industries, although the agriculture industry is expected to register ongoing weakness.

For our **Performance Chemicals** segment, we likewise expect business to develop positively in 2016 to above the prior-year level. In particular, the two largest business units – Inorganic Pigments and Rhein Chemie Additives – should benefit from additional capacities and newly created business platforms.

In the current fiscal year, we expect strong development of the **High Performance Materials** segment. Growth is expected to be driven by the varied end uses of our engineering plastics, particularly in lightweight construction applications in the automotive industry. Moreover, the regions particularly relevant to this segment – Europe and North America – should remain robust.

For the rubber business of **ARLANXEO**, we continue to see macroeconomic weakness in the growth markets. Due to our competitors' additional capacities, which are scheduled to come on stream in the second half of the year, we anticipate a further increase in pricing pressure for our rubber products.

Against this background and due to the faster implementation of measures to improve operational competitiveness, we are raising our guidance for 2016 and expect EBITDA pre exceptionals of between €930 million and €970 million.

Further information on this topic is provided in the combined management report for LANXESS AG and the LANXESS Group on pages 161 and 162 of the Annual Report 2015.

Significant opportunities and risks

There have been no significant changes in the opportunities or risks of the LANXESS Group compared with December 31, 2015. Further information on this topic is provided in the combined management report for LANXESS AG and the LANXESS Group on pages 163 to 173 of the Annual Report 2015. Based on an overall evaluation of risk management information, the Board of Management at the present time cannot identify any sufficiently likely risks or risk combinations that would jeopardize the continued existence of LANXESS.

Events after the end of the reporting period

No events of special significance took place after June 30, 2016 that are expected to materially affect the financial position or results of operations of the LANXESS Group.

Condensed Consolidated Interim Financial Statements
as of June 30, 2016

Statement of Financial Position LANXESS Group

€ million	Dec. 31, 2015	June 30, 2016
ASSETS		
Intangible assets	300	297
Property, plant and equipment	3,447	3,345
Investments accounted for using the equity method	0	0
Investments in other affiliated companies	12	16
Non-current derivative assets	1	1
Other non-current financial assets	21	20
Non-current income tax receivables	11	13
Deferred taxes	361	485
Other non-current assets	27	28
Non-current assets	**4,180**	**4,205**
Inventories	1,349	1,332
Trade receivables	956	1,112
Cash and cash equivalents	366	650
Near-cash assets	100	2
Current derivative assets	14	29
Other current financial assets	4	713
Current income tax receivables	44	38
Other current assets	206	219
Current assets	**3,039**	**4,095**
Total assets	**7,219**	**8,300**
EQUITY AND LIABILITIES		
Capital stock and capital reserves	1,317	1,317
Other reserves	1,313	1,172
Net income	165	128
Other equity components	(485)	(298)
Equity attributable to non-controlling interests	13	1,116
Equity	**2,323**	**3,435**
Provisions for pensions and other post-employment benefits	1,215	1,424
Other non-current provisions	271	258
Non-current derivative liabilities	19	9
Other non-current financial liabilities	1,258	1,258
Non-current income tax liabilities	19	21
Other non-current liabilities	108	98
Deferred taxes	46	64
Non-current liabilities	**2,936**	**3,132**
Other current provisions	411	408
Trade payables	779	683
Current derivative liabilities	100	54
Other current financial liabilities	443	323
Current income tax liabilities	85	118
Other current liabilities	142	147
Current liabilities	**1,960**	**1,733**
Total equity and liabilities	**7,219**	**8,300**

Income Statement LANXESS Group

€ million	**Q2 2015**	**Q2 2016**	**H1 2015**	**H1 2016**
Sales	**2,105**	**1,943**	**4,143**	**3,863**
Cost of sales	(1,620)	(1,466)	(3,215)	(2,925)
Gross profit	**485**	**477**	**928**	**938**
Selling expenses	(200)	(191)	(383)	(385)
Research and development expenses	(34)	(32)	(66)	(62)
General administration expenses	(68)	(73)	(132)	(145)
Other operating income	71	36	94	80
Other operating expenses	(77)	(41)	(201)	(119)
Operating result (EBIT)	**177**	**176**	**240**	**307**
Income from investments accounted for using the equity method	0	0	0	0
Interest income	0	2	1	3
Interest expense	(18)	(18)	(34)	(36)
Other financial income and expense	(15)	(13)	(29)	(33)
Financial result	**(33)**	**(29)**	**(62)**	**(66)**
Income before income taxes	**144**	**147**	**178**	**241**
Income taxes	(57)	(64)	(70)	(105)
Income after income taxes	**87**	**83**	**108**	**136**
of which attributable to non-controlling interests	0	8	(1)	8
of which attributable to LANXESS AG stockholders [net income]	87	75	109	128
Earnings per share (undiluted/diluted) (€)	**0.95**	**0.82**	**1.19**	**1.40**

Statement of Comprehensive Income LANXESS Group

€ million	Q2 2015	Q2 2016	H1 2015	H1 2016
Income after income taxes	**87**	**83**	**108**	**136**
Items that will not be reclassified subsequently to profit or loss				
Remeasurements of the net defined benefit liability for post-employment benefit plans	244	(241)	10	(394)
Income taxes	(77)	76	(2)	125
	167	**(165)**	**8**	**(269)**
Items that may be reclassified subsequently to profit or loss if specific conditions are met				
Exchange differences on translation of operations outside the eurozone	(56)	76	66	47
Financial instruments	87	6	(26)	78
Income taxes	(25)	0	8	(21)
	6	**82**	**48**	**104**
Other comprehensive income, net of income tax	**173**	**(83)**	**56**	**(165)**
Total comprehensive income	**260**	**0**	**164**	**(29)**
of which attributable to non-controlling interests	0	30	(1)	29
of which attributable to LANXESS AG stockholders	260	(30)	165	(58)

Statement of Changes in Equity LANXESS Group

€ million	Capital stock	Capital reserves	Other reserves	Net income (loss)	Other equity components		Equity attributable to LANXESS AG stockholders	Equity attributable to non-controlling interests	Equity
					Currency translation adjustment	Financial instruments			
Dec. 31, 2014	**91**	**1,226**	**1,253**	**47**	**(407)**	**(51)**	**2,159**	**2**	**2,161**
Allocations to retained earnings			47	(47)			0		0
Transactions with owners							0	9	9
Dividend payments			(46)				(46)	0	(46)
Total comprehensive income			8	109	66	(18)	165	(1)	164
Income (loss) after income taxes				*109*			*109*	*(1)*	*108*
Other comprehensive income, net of income tax			*8*		*66*	*(18)*	*56*	*0*	*56*
June 30, 2015	**91**	**1,226**	**1,262**	**109**	**(341)**	**(69)**	**2,278**	**10**	**2,288**
Dec. 31, 2015	**91**	**1,226**	**1,313**	**165**	**(422)**	**(63)**	**2,310**	**13**	**2,323**
Allocations to retained earnings			165	(165)			0		0
Transactions with owners			8		112	2	122	1,074	1,196
Dividend payments			(55)				(55)	0	(55)
Total comprehensive income			(259)	128	19	54	(58)	29	(29)
Income after income taxes				*128*			*128*	*8*	*136*
Other comprehensive income, net of income tax			*(259)*		*19*	*54*	*(186)*	*21*	*(165)*
June 30, 2016	**91**	**1,226**	**1,172**	**128**	**(291)**	**(7)**	**2,319**	**1,116**	**3,435**

Statement of Cash Flows LANXESS Group

€ million	Q2 2015	Q2 2016	H1 2015	H1 2016
Income before income taxes	**144**	**147**	**178**	**241**
Depreciation and amortization	119	115	234	235
Gains on disposals of intangible assets and property, plant and equipment	(42)	0	(42)	0
Financial losses	17	16	32	33
Income taxes paid	(18)	(19)	(23)	(61)
Changes in inventories	(22)	29	7	19
Changes in trade receivables	13	(10)	(145)	(148)
Changes in trade payables	6	(26)	15	(96)
Changes in other assets and liabilities	(98)	(72)	(104)	5
Net cash provided by operating activities	**119**	**180**	**152**	**228**
Cash outflows for purchases of intangible assets and property, plant and equipment	(73)	(73)	(129)	(122)
Cash outflows for financial assets	(121)	(711)	(128)	(611)
Cash inflows from sales of intangible assets and property, plant and equipment	43	1	44	5
Interest and dividends received	0	2	1	3
Cash outflows for external financing of pension obligations (CTA)	–	(200)	–	(200)
Net cash used in investing activities	**(151)**	**(981)**	**(212)**	**(925)**
Proceeds from borrowings	10	21	53	41
Repayments of borrowings	(44)	(12)	(131)	(163)
Interest paid and other financial disbursements	(34)	(33)	(42)	(39)
Cash inflows from non-controlling interests	9	1,194	9	1,194
Dividend payments	(46)	(55)	(46)	(55)
Net cash provided by (used in) financing activities	**(105)**	**1,115**	**(157)**	**978**
Change in cash and cash equivalents from business activities	**(137)**	**314**	**(217)**	**281**
Cash and cash equivalents at beginning of period	344	333	418	366
Exchange differences and other changes in cash and cash equivalents	(3)	3	3	3
Cash and cash equivalents at end of period	**204**	**650**	**204**	**650**

Segment and Region Data

Key Data by Segment Second quarter

€ million	Advanced Intermediates		Performance Chemicals		High Performance Materials		ARLANXEO		Reconciliation		LANXESS	
	Q2 2015	Q2 2016	Q2 2015	Q2 2016	Q2 2015	Q2 2016	Q2 2015	Q2 2016	Q2 2015	Q2 2016	Q2 2015	Q2 2016
External sales	468	443	553	543	292	275	780	670	12	12	2,105	1,943
Inter-segment sales	16	14	3	3	0	0	0	0	(19)	(17)	0	0
Segment/Group sales	484	457	556	546	292	275	780	670	(7)	(5)	2,105	1,943
Segment result/EBITDA pre exceptionals	80	88	110	114	33	45	116	95	(69)	(49)	270	293
EBITDA margin pre exceptionals (%)	17.1	19.9	19.9	21.0	11.3	16.4	14.9	14.2			12.8	15.1
EBITDA	78	88	104	114	54	45	140	95	(80)	(51)	296	291
EBIT pre exceptionals	53	63	89	91	21	34	63	41	(73)	(51)	153	178
EBIT	51	63	83	91	41	34	86	41	(84)	(53)	177	176
Segment capital expenditures	18	23	25	23	6	5	24	25	2	1	75	77
Depreciation and amortization	27	25	21	23	13	11	54	54	4	2	119	115

2015 figures restated in line with the new segment structure

Key Data by Segment First half

€ million	Advanced Intermediates		Performance Chemicals		High Performance Materials		ARLANXEO		Reconciliation		LANXESS	
	H1 2015	H1 2016	H1 2015	H1 2016	H1 2015	H1 2016	H1 2015	H1 2016	H1 2015	H1 2016	H1 2015	H1 2016
External sales	946	906	1,086	1,076	584	548	1,503	1,310	24	23	4,143	3,863
Inter-segment sales	26	28	5	6	1	1	0	0	(32)	(35)	0	0
Segment/Group sales	972	934	1,091	1,082	585	549	1,503	1,310	(8)	(12)	4,143	3,863
Segment result/EBITDA pre exceptionals	172	177	197	212	58	83	213	208	(141)	(125)	499	555
EBITDA margin pre exceptionals (%)	18.2	19.5	18.1	19.7	9.9	15.1	14.2	15.9			12.0	14.4
EBITDA	171	177	189	212	78	83	201	208	(165)	(138)	474	542
EBIT pre exceptionals	122	127	155	167	36	61	112	98	(149)	(133)	276	320
EBIT	121	127	147	167	55	61	90	98	(173)	(146)	240	307
Segment capital expenditures	31	41	43	39	11	10	47	41	6	4	138	135
Depreciation and amortization	50	50	42	45	23	22	111	110	8	8	234	235
Employees as of June 30 (previous year: as of Dec. 31)	3,259	3,345	5,138	5,385	1,546	1,578	3,491	3,603	2,791	2,634	16,225	16,545

2015 figures restated in line with the new segment structure

Key Data by Region Second quarter

€ million	EMEA (excl. Germany) Q2 2015	EMEA (excl. Germany) Q2 2016	Germany Q2 2015	Germany Q2 2016	North America Q2 2015	North America Q2 2016	Latin America Q2 2015	Latin America Q2 2016	Asia-Pacific Q2 2015	Asia-Pacific Q2 2016	LANXESS Q2 2015	LANXESS Q2 2016
Sales by market	613	590	358	332	358	324	221	206	555	491	2,105	1,943
Proportion of Group sales (%)	29.1	30.3	17.0	17.1	17.0	16.7	10.5	10.6	26.4	25.3	100.0	100.0

Key Data by Region First half

€ million	EMEA (excl. Germany) H1 2015	EMEA (excl. Germany) H1 2016	Germany H1 2015	Germany H1 2016	North America H1 2015	North America H1 2016	Latin America H1 2015	Latin America H1 2016	Asia-Pacific H1 2015	Asia-Pacific H1 2016	LANXESS H1 2015	LANXESS H1 2016
Sales by market	1,236	1,193	723	680	700	665	434	386	1,050	939	4,143	3,863
Proportion of Group sales (%)	29.8	30.9	17.5	17.6	16.9	17.2	10.5	10.0	25.3	24.3	100.0	100.0
Employees as of June 30 (previous year: as of Dec. 31)	3,143	3,187	7,523	7,577	1,312	1,324	1,412	1,409	2,835	3,048	16,225	16,545

Notes to the Condensed Consolidated Interim Financial Statements
as of June 30, 2016

In compliance with IAS 34, the company opted for a condensed scope of reporting in the interim financial statements compared with the consolidated annual financial statements. Reference should be made in principle and as appropriate to the notes to the consolidated financial statements as of December 31, 2015, particularly with respect to the recognition and valuation principles which are generally applied.

In connection with its "Let's LANXESS again" realignment program, LANXESS and Aramco Overseas Holdings Coöperatief U.A., The Hague, Netherlands, a subsidiary of Saudi Aramco, have formed a strategic alliance for the synthetic rubber business named ARLANXEO in which each party holds a 50% interest. On the basis of a preliminary purchase price calculation for its share after deduction of debt and other financial liabilities, Saudi Aramco made a cash contribution of €1.2 billion. Closing of the transaction took place on April 1, 2016, and is reported as a transaction with owners in accordance with IFRS 10. ARLANXEO will continue to be included in the consolidated financial statements of the LANXESS Group and will be fully consolidated in the first three years because the casting vote of the chairman of the Shareholders' Committee of ARLANXEO, who is appointed by LANXESS, gives LANXESS the opportunity to determine key aspects of financial and business policy.

The company's Annual Stockholders' Meeting on May 20, 2016, authorized the Board of Management until May 19, 2021, to acquire shares in the company representing up to 10% of the capital stock at the time of the resolution or – if this value is lower – of the capital stock at the time this authorization is exercised. The authorization replaces the provision relating to the acquisition of shares in the company that applied until May 17, 2016, and may be exercised, individually or jointly, by the company or a subsidiary or by third parties on behalf of the company or its subsidiaries. The authorization to acquire and utilize own shares may be exercised in whole or in part, once or several times for any purpose permitted by law. At the discretion of the Board of Management, shares may be acquired in the market, via a public tender offer or via a public invitation to stockholders to make an offer to sell.

Recognition and valuation principles

The unaudited, condensed consolidated interim financial statements as of June 30, 2016 were prepared in accordance with the International Financial Reporting Standards (IFRS) and related interpretations of the International Accounting Standards Board (IASB) applicable to interim financial reporting, required to be applied in the European Union. The standards and interpretations already mandatory as of January 1, 2016 were observed in preparing the interim financial statements. The following amended accounting standards were applied for the first time and had no effect or no material effect on the presentation of the earnings, asset and financial position of the LANXESS Group:

- Amendments to IAS 19 – Defined Benefit Plans: Employee Contributions
- Various IAS and IFRS standards – Annual Improvements to International Financial Reporting Standards, 2010–2012 cycle
- Amendments to IFRS 11 – Accounting for Acquisition of Interests in Joint Operations
- Amendments to IAS 16 and IAS 38 – Clarification of Acceptable Methods of Depreciation and Amortisation
- Amendments to IAS 16 and IAS 41 – Agriculture: Bearer Plants
- Amendments to IAS 27 – Equity Method in Separate Financial Statements
- Various IAS and IFRS standards – Annual Improvements to International Financial Reporting Standards, 2012–2014 cycle
- Amendments to IAS 1 – Disclosure Initiative

Preparation of the consolidated interim financial statements requires that assumptions and estimates be made that have an impact on the amount and recognition of assets and liabilities in the statement of financial position, income and expenses, and contingent liabilities. All assumptions and estimates are made on the basis of conditions prevailing at the reporting date, using methods broadly consistent with those applied in the consolidated financial statements for 2015. The actual figures may differ from the assumptions or estimates if the underlying conditions develop differently than predicted at the reporting date.

The business of the LANXESS Group as a whole is not subject to pronounced seasonality. However, in light of the business activities of the individual segments, sales and earnings tend to be stronger in the first half of the year. For example, volumes of agrochemical products in the Advanced Intermediates segment tend to be higher in the first six months of the year because of the growing seasons.

The businesses with products for the construction industry in the Advanced Intermediates and Performance Chemicals segments are also seasonal in that sales are higher in the summer than in the winter months, when construction activity is lower.

Changes in the scope of consolidation

The consolidated interim financial statements of the LANXESS Group include the parent company LANXESS AG along with all of its domestic and foreign subsidiaries.

	EMEA (excl. Germany)	Germany	North America	Latin America	Asia-Pacific	Total
Fully consolidated companies (incl. parent company)						
Jan. 1, 2016	**21**	**10**	**4**	**5**	**17**	**57**
Additions			2		1	3
Retirements						0
Mergers						0
Changes	1					1
June 30, 2016	**22**	**10**	**6**	**5**	**18**	**61**
Consolidated associates and jointly controlled entities						
Jan. 1, 2016		**2**				**2**
Additions						0
Retirements						0
Mergers						0
Changes						0
June 30, 2016	**0**	**2**	**0**	**0**	**0**	**2**
Non-consolidated companies						
Jan. 1, 2016	**3**	**1**	**1**	**3**	**1**	**9**
Additions		1				1
Retirements	(1)					(1)
Mergers						0
Changes	(1)					(1)
June 30, 2016	**1**	**2**	**1**	**3**	**1**	**8**
Total						
Jan. 1, 2016	**24**	**13**	**5**	**8**	**18**	**68**
Additions		1	2		1	4
Retirements	(1)					(1)
Mergers						0
Changes						0
June 30, 2016	**23**	**14**	**7**	**8**	**19**	**71**

In addition, two structured entities in the EMEA (excluding Germany) region are included in the consolidated interim financial statements.

During the reporting period, in the context of structuring the strategic partnership with Saudi Aramco, LANXESS Performance Elastomers B.V., Sittard-Geleen, Netherlands, was renamed ARLANXEO Holding B.V. and, as the parent company of the ARLANXEO Group, was reclassified from a non-consolidated company to a fully consolidated company. Moreover, in North America ARLANXEO USA Holdings Corp., Pittsburgh, United States, and ARLANXEO USA LLC, Pittsburgh, United States, and in the Asia-Pacific region ARLANXEO High Performance Elastomeres (Changzhou) Co., Ltd, Changzhou, China, were newly established and fully consolidated.

Additionally, the synthetic rubber business in Germany was integrated into Vierte LXS GmbH, Leverkusen, Germany, and the latter renamed ARLANXEO Deutschland GmbH, headquartered in Dormagen, Germany. In the EMEA region the following entities were renamed: LANXESS Elastomères S.A.S., Lillebonne, France, was renamed ARLANXEO Elastomères France S.A.S.; LANXESS Emulsion Rubber S.A.S., La Wantzenau, France, was renamed ARLANXEO Emulsion Rubber France S.A.S.; LANXESS Rubber N.V., Zwijndrecht, Belgium, was renamed ARLANXEO Belgium N.V.; LANXESS Elastomers B.V., Sittard-Geleen, Netherlands, was renamed ARLANXEO Netherlands B.V.; and LANXESS International SA, Granges-Paccot, Switzerland, was renamed ARLANXEO Switzerland S.A. Likewise, in the North America region LANXESS Inc., Sarnia, Canada, was renamed ARLANXEO Canada Inc.; in the Latin America region LANXESS Elastômeros do Brasil S.A., Rio de Janeiro, Brazil, was renamed ARLANXEO Brasil S.A.; and in the Asia-Pacific region LANXESS Butyl Pte. Ltd., Singapore, was renamed ARLANXEO Singapore Pte. Ltd. and LANXESS-TSRC (Nantong) Chemical Industrial Co., Ltd., Nantong, China, was renamed ARLANXEO-TSRC (Nantong) Chemical Industrial Co., Ltd.

Of the non-consolidated entities, LANXESS Mining (Proprietary) Ltd., Modderfontein, South Africa, was liquidated and Sechste LXS GmbH, Cologne, Germany, was newly established as a shelf company.

Pensions

To fund pension obligations in Germany, €200 million was transferred to LANXESS Pension Trust e.V., Leverkusen, Germany, effective May 6, 2016.

Earnings per share

Earnings per share for the second quarter and first half of 2015 and 2016 were calculated on the basis of the number of shares in circulation during each reporting period. They are derived solely from continuing operations. Since there are currently no equity instruments in issue that could dilute earnings per share, basic and diluted earnings per share are identical. For more information about equity instruments that could dilute earnings per share in the future, readers are referred to the notes to the consolidated financial statements as of December 31, 2015.

Earnings per Share

	Q2 2015	Q2 2016	Change %	H1 2015	H1 2016	Change %
Net income (€ million)	87	75	(13.8)	109	128	17.4
Number of shares outstanding	91,522,936	91,522,936	–	91,522,936	91,522,936	–
Earnings per share in € (undiluted/diluted)	**0.95**	**0.82**	**(13.8)**	**1.19**	**1.40**	**17.4**

Payment of the dividend for fiscal 2015

Pursuant to the resolution of the Annual Stockholders' Meeting on May 20, 2016, the sum of €55 million out of the distributable profit of €98 million reported in the annual financial statements of LANXESS AG as of December 31, 2015 was paid out to the stockholders on May 23, 2016. The dividend per eligible no-par share was €0.60. The remaining amount of €43 million was carried forward to new account.

Fair value measurement

The following table shows the volumes of assets and liabilities that were measured at fair value on a recurring basis as of the end of the reporting period and the levels of the fair value hierarchy into which the inputs used in valuation techniques were categorized.

Assets and Liabilities Measured at Fair Value

€ million	**Dec. 31, 2015**			**June 30, 2016**		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Non-current assets						
Investments in other affiliated companies	2	–	–	7	–	–
Non-current derivative assets	–	1	–	–	1	–
Other non-current financial assets	–	1	–	–	1	–
Current assets						
Near-cash assets	100	–	–	2	–	–
Current derivative assets	–	14	–	–	29	–
Other current financial assets	0	–	–	60	–	–
Non-current liabilities						
Non-current derivative liabilities	–	19	–	–	9	–
Current liabilities						
Current derivative liabilities	–	100	–	–	54	–

According to the fair value measurement hierarchy, quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date are given the highest priority (Level 1). Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, are assigned to Level 2. Unobservable inputs for the asset or liability are given the lowest priority (Level 3).

The investments in other affiliated companies measured at fair value pertain to shares in the listed company BioAmber Inc., Minneapolis, United States, and shares in Elemica Inc., Wayne, United States, which is valued at the sale price of €6 million following the reversal of the impairment charges recognized in previous years. The sale was concluded in July 2016. As at year end 2015, the item "Investments in other affiliated companies" in the statement of financial position also includes €10 million in non-listed equity instruments, the fair values of which at the end of the reporting period could not be reliably measured and which are therefore recognized at cost. There are currently no plans to dispose of these investments.

The derivative financial instruments used by LANXESS are primarily traded in an active, liquid market. The fair values as of the end of the reporting period pertain exclusively to forward exchange contracts and are derived from their trading or listed prices using the "forward method." Where no market price is available, values are determined using recognized capital market pricing methods based on observable market data. In determining the fair values, adjustments for LANXESS's own credit risk and counterparty credit risk are made on the basis of the respective net positions.

The near-cash assets comprise units of money market funds that can be sold at any time and are expected to be realized within twelve months after the end of the reporting period.

In the case of financial instruments accounted for using valuation principles other than fair value measurement, the fair value – where this can be reliably determined – is normally the carrying amount. The carrying amount of the bonds, at €1,393 million, differed significantly from their fair value, which was €1,555 million as of June 30, 2016. The carrying amounts of the bonds as of December 31, 2015 was €1,392 million and their fair value €1,531 million. Fair value measurement of the bonds is allocated to Level 1 of the hierarchy although, as of June 30, 2016, two bonds with a fair value of €246 million were allocated to Level 2 as there was no liquid market for them. As of December 31, 2015, two bonds with a fair value of €240 million were allocated to Level 2 of the hierarchy. The fair value of liabilities allocated to Level 2 is calculated using discounted cash flows and taking account of observed market interest rates.

Additional information about the measurement of fair value and about financial instruments is provided in the notes to the consolidated financial statements as of December 31, 2015.

Segment reporting

The reconciliation of EBITDA pre exceptionals to income before income taxes is presented in the following table.

Reconciliation of Segment Results

€ million	Q2 2015	Q2 2016	H1 2015	H1 2016
Total segment results	**339**	**342**	**640**	**680**
Depreciation and amortization	(119)	(115)	(234)	(235)
Other/Consolidation	(69)	(49)	(141)	(125)
Exceptional items affecting EBITDA	26	(2)	(25)	(13)
Net interest expense	(18)	(16)	(33)	(33)
Income from investments accounted for using the equity method	0	0	0	0
Other financial income and expense	(15)	(13)	(29)	(33)
Income before income taxes	**144**	**147**	**178**	**241**

The exceptional items of the reporting period were principally the result of expenses connected with the strategic realignment of the LANXESS Group. Additional information is provided in "Notes in EBIT and EBITDA (pre exceptionals)" in the Interim Group Management Report as of June 30, 2016.

As part of the strategic realignment of LANXESS, Group structures were reorganized. The synthetic rubber business, formerly bundled in the Tire & Specialty Rubbers and High Performance Elastomers business units in the Performance Polymers segment, is now reported as the ARLANXEO segment, while the High Performance Materials business unit, formerly also assigned to the Performance Polymers segment, is now a separate segment. In the future, therefore, LANXESS will report as four segments: Advanced Intermediates, Performance Chemicals, High Performance Materials and ARLANXEO. The prior-year figures are restated accordingly.

Changes on the Supervisory Board

Ms. Gisela Seidel resigned her position as an employee representative on the Supervisory Board effective midnight on May 31, 2016. As of June 1, 2016, she was succeeded by Mr. Ifraim Tairi, who was an elected substitute member. In addition, Ms. Claudia Nemat resigned her position as stockholder representative on the Supervisory Board as of June 30, 2016. Her successor, Dr. Heike Hanagarth, was appointed by the Local Court of Cologne as a member of the Supervisory Board effective July 1, 2016.

Related parties

In the course of its operations, the LANXESS Group sources materials, inventories and services from a large number of business partners around the world. These include companies in which LANXESS AG has a direct or indirect interest. Transactions with these companies are carried out on an arm's-length basis.

Transactions with Currenta GmbH & Co. OHG, Leverkusen, Germany, which is accounted for in the consolidated financial statements using the equity method, and its subsidiaries mainly comprised the purchase of site services in the fields of utilities, infrastructure and logistics totaling €100 million in the second quarter of 2016 (Q2 2015: €108 million) and €205 million in the first half of 2016 (H1 2015: €219 million). Receivables of €41 million and payables of €108 million existed as of June 30, 2016 as a result of these transactions (December 31, 2015: €38 million and €120 million, respectively). There were also payment obligations to Currenta GmbH & Co. OHG and its subsidiaries amounting to €8 million (December 31, 2015: €9 million) under operating leases and obligations of €6 million (December 31, 2015: €4 million) under purchase agreements.

No material business transactions were undertaken with other related parties. As in the previous year, no loans were granted to members of the Board of Management or the Supervisory Board in the first six months of 2016.

Employees

The LANXESS Group had 16,545 employees worldwide as of June 30, 2016, which was 320 more than on December 31, 2015 (16,225). The increase was mainly attributable to amended local legislation in South Africa and China, which requires external service providers to be considered as Group employees after a certain period of employment.

The number of employees in the EMEA (excluding Germany) region rose by 44 to 3,187. Headcount in Germany came to 7,577, against 7,523 as of December 31, 2015. The workforce in North America increased by 12 to 1,324. In Latin America, headcount decreased compared to December 31, 2015, from 1,412 to 1,409. The number of employees in the Asia-Pacific region increased by 213 from 2,835 to 3,048.

Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group in line with generally accepted accounting standards, and the interim management report of the group includes a fair review of the development and performance of the business and the position of the group, together with a description of the principal opportunities and risks associated with the expected development of the group for the remaining months of the financial year.

Cologne, August 1, 2016

LANXESS Aktiengesellschaft

The Board of Management

Matthias Zachert	Dr. Hubert Fink
Michael Pontzen	Dr. Rainier van Roessel

Review Report to LANXESS Aktiengesellschaft, Cologne

We have reviewed the condensed consolidated interim financial statements – comprising the statement of financial position, income statement and statement of comprehensive income, statement of changes in equity, statement of cash flows and selected explanatory notes – and the interim group management report of LANXESS Aktiengesellschaft, Cologne, for the period from January 1 to June 30, 2016, which are part of the half-year financial report pursuant to § (Article) 37w WpHG ("Wertpapierhandelsgesetz": German Securities Trading Act). The preparation of the condensed consolidated interim financial statements in accordance with the IFRS applicable to interim financial reporting as adopted by the E.U. and of the interim group management report in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports is the responsibility of the parent company's Board of Management. Our responsibility is to issue a review report on the condensed consolidated interim financial statements and on the interim group management report based on our review.

We conducted our review of the condensed consolidated interim financial statements and the interim group management report in accordance with German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the review so that we can preclude through critical evaluation, with moderate assurance, that the condensed consolidated interim financial statements have not been prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the E.U. and that the interim group management report has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports. A review is limited primarily to inquiries of company personnel and analytical procedures and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot express an audit opinion.

Based on our review, no matters have come to our attention that cause us to presume that the condensed consolidated interim financial statements have not been prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the E.U. nor that the interim group management report has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports.

Cologne, August 3, 2016

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Bernd Boritzki
German Public Auditor

Carsten Manthei
German Public Auditor

Financial Calendar 2016

November 10
Quarterly Statement as of September 30, 2016

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